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ASSOCIATION OF AFRICAN CENTRAL BANKS

## REPORT OF THE EIGHTH MEETING OF THE EAST AFRICAN SUBREGIONAL COMMITTEE OF THE ASSOCIATION OF AFRICAN CENTRAL BANKS

Nairobi, 23 August 1976

### Attendance

1. The meeting was attended by representatives of the central banks of the following States: Burundi, Kenya, Madagascar, Malawi, Mauritius, Rwanda, Swaziland, Uganda, United Republic of Tanzania and Zambia. A representative of the Economic Commission for Africa was also present.

### Opening of the meeting

2. The Governor of the Bank of Kenya opened the meeting by welcoming all the members to Nairobi. He explained that, according to the original arrangements, the meeting was to have been held in Rwanda but circumstances had made it impossible to do so. At the suggestion of some governors of the subregion, Kenya had decided to take over the responsibility and was pleased to have the honour of hosting the eight meeting. He was most happy with representatives who had managed to come and expressed apologies for the governors of the Banks of Ethiopia and Somalia who were unable to attend the meeting.

### Adoption of the Agenda

3. The agenda was adopted without amendments. It was decided that the country reports on recent economic developments (item 5) would be incorporated in the minutes without being formally presented at the meeting.

### Adoption of the minutes of the seventh meeting

4. The minutes were adopted.

### Matters arising out of the minutes

5. There were no matters arising out of the minutes.

Latest developments in the international monetary situation

6. The Governor of the Bank of Kenya gave an overview of the present state of the world economy, citing in particular the recovery in economic activity and the moderation in inflation that was being experienced among the industrialized nations. He then referred to the second amendments of the International Monetary Fund's Articles of Agreement. He highlighted the still unsatisfactory state of some of the major issues of the international monetary reform such as the role of the SDR, gold, the adjustment process and the United States dollar, in the international monetary system. On gold, in particular, he expressed a feeling that Governments were not expected to buy gold from IMF for their own account as that would bring back the asset into the international monetary system through the backdoor. He also felt that the SDR had still not been widely accepted as the main monetary unit of the international monetary system as had originally been expected.

7. His observations were generally endorsed by participants. The Managing Director of the Bank of Mauritius was particularly unhappy about the general usability of currencies as provided for in the second amendment of the Articles of Agreement of the International Monetary Fund. He expressed the fear that, carried to its logical conclusion, the currency budget could mean that the less developed countries would finance the more developed States. He also voiced concern over the present trend in the price of gold and particularly over its impact on the size of the Trust Fund.

8. He was supported in this by the General Manager of the Reserve Bank of Malawi and the Governor of the Bank of the United Republic of Tanzania. The latter further felt that the less developed countries had made a mistake in accepting the Trust Fund in the first place and was of the view that the Governors should find a way of re-opening the whole question of the link between SDR creation and development finance. The Governors agreed that the unsatisfactory nature of the Trust Fund should be considered further at the forthcoming Manila meetings of the Fund and World Bank.

9. The Governors also expressed general dissatisfaction with the other issues of the second amendment, namely the size of the quotas and the régime of floating exchange rates. They noted in particular that fluctuating exchange rates were deleterious to their interests and suggested that some mechanism, such as a Currency Compensation Fund, should be devised to protect developing raw-material producers.

Intra-African trade

10. The representative of the Economic Commission for Africa briefed the meeting on developments. He stated that the main developments during the past year had been the various discussions held by the Ministries of Commerce and Industry, on papers submitted by the United Nations Development Advisory Team (UNDAT). The UNDAT papers centred on proposals favouring the establishment of a Trade Directorate and Payments Union for the East and Southern African regions of the Association of African Central Banks similar in nature to the West African Subregion model.

11. He also informed the meeting that OAU and ECA were making arrangements to hold the second All-Africa Trade Fair at Algiers in October 1976. Some of the topics that would be considered at the Fair included trade co-operation among African countries and the formation of an African Common Market.

12. The Governors thanked him for his informative statement. Nearly all the Governors, however, appeared to be unaware that such discussions had been taking place. After expressing some disappointment at having been excluded from such issues that vitally affected their own institutional responsibilities, they asked that in future they should be more involved in the discussions. They requested that the studies by the UNDAT, along with those to be undertaken by the UNCTAD monetary experts, should be made available to the central banks by the next annual meeting. Finally they requested the Central Bank of Kenya to keep in close touch with ECA over the whole subject until the next meeting of the subregion.

African Centre for Monetary Studies

13. The main issue discussed was the appointment of the chief executive of the Centre, namely, the Director-General. After some discussion, it was decided that the Governors of the subregion needed time to review the subject. They therefore resolved to write to the Association's Chairman, the Governor of the Bank of Mauritania, to ask for more time so that the post might be re-advertised if necessary.

Date and place of the next meeting

14. The Banks of Rwanda, Madagascar and Malawi offered to host the 1977 annual meeting of the Subregion. The Governors decided that, if Rwanda was chosen as the next host it would disrupt the present procedure whereby the place was selected on the basis of inverse alphabetical order. In order to preserve that arrangement, therefore, it was agreed that Malawi would host for the 1977 meeting, to be held some time in July 1977. Madagascar would then host the meeting in 1978.

15. The Governors also discussed the problems which had arisen in connexion with the venue for the 1976 annual meeting. It was decided that, in future, the putative host country should send out early notices to member countries so that an alternative place could be agreed upon in good time if necessary.

Any other business

16. The Governor of the Bank of Zambia informed other Governors that Zambia was in the process of looking for a suitable candidate to fill the post of Alternate Executive Director at IMF which had been vacated by Dr. Zulu who had joined the permanent staff of the Fund in the African Department. He said that the other Governors would be informed when an appropriate candidate had been selected.

17. The Governor of the Bank of the United Republic of Tanzania and the Director of Research Department of the Bank of Burundi reiterated the need for more decision-oriented discussions at the subregional meetings. They also stressed the need for more follow-up action in between meetings. The latter further asked for adequate translation facilities at such meetings, to allow more effective participation by all member banks.

18. Those views were generally endorsed by the Governors, who decided that, until 1977 meetings, the Central Bank of Kenya would take responsibility for keeping member banks informed on progress made on issues raised at the meeting. The Governors also agreed with the suggestion that in future facilities for simultaneous translation should be made available, where possible.

Closure of the meeting

19. After the customary exchange of courtesies, the Chairman declared the meeting closed.